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SUBJECT: OPEN SKIES DEMARCHE AND AVIATION SECTOR DEVELOPMENTS

Reftel: State 129946

¶1. (SBU) Summary: The Minister of Transport viewed our offer to explore an Open Skies agreement as a chance to get more aid from the United States. He suggested Tajikistan would move slowly on Open Skies, seeking a bilateral agreement before considering a regional agreement, and would move slowly on liberalization of the aviation sector in general. The appointment of a new Tajik Air Director did not appear to be a move toward greater business efficiency, but Tajik Air's breakup into separate private air, navigation, and airport companies is still due to take effect on January 1, 2009. End Summary.

Stall Warning

¶2. (SBU) Emboff delivered reftel demarche to Minister of Transport Ashur on December 16. In response to the points on the benefits of an Open Skies agreement, Minister Ashur commented that Tajikistan's "usual approach" was to pursue bilateral aviation agreements, so they would consider a regional Open Skies agreement later, after gaining experience with a bilateral agreement. Ashur said the Tajik Air restructuring was almost complete, and the airline, airports, and navigation services companies would have separate balance sheets as of January 1, 2009. They now had competition in the Tajik aviation market, in the form of soon-to-be-privatized Tajik Air, and Somon Air. The Tajik aviation market was open to all comers, and Open Skies should not be a problem; Turkish, Iranian, Azeri, and other companies were interested in starting flights to Tajikistan.

Holding Pattern

¶3. (SBU) In the next breath Ashur said Tajikistan's aviation sector operated on a "parity basis," i.e. flights from other countries' airlines must be matched by a Tajik Air flight on the same route. Thus Turkish Air could not get a third weekly flight to Dushanbe because there wasn't enough demand to sell all the seats on the existing once-a-week Tajik Air flight to Istanbul, much less on any additional Tajik Air flights. "Aviation rights should be based on effectiveness" i.e. sales of Tajik Air seats, the Minister said. Tajikistan wasn't yet ready for open competition, as this would have to wait for modernization of the Tajik Air fleet and improvements to ticket sales systems. Ashur predicted that by 2011, when Tajikistan would celebrate its twentieth anniversary of independence, the aviation sector would be in much better shape for competition with outsiders. He did not explain why this date should be linked to aviation sector reforms.

¶4. (SBU) Ashur asked if the proposed Open Skies agreement came with grant assistance, urging the USG to fund Tupolev-to-Boeing conversion training for 10 flight crews of Tajik Air. Emboff replied that Open Skies didn't involve assistance, and that the USG was unlikely to subsidize the privatized Tajik Air. Ashur shrugged at this news, and asked for a copy of the United States-Uzbekistan Open Skies agreement, to study Uzbekistan's arrangements.

15. (SBU) After the meeting Deputy Minister Hamroev told emboff that he understood the Open Skies concept, considered it a routine matter and a basis for future cooperation with the United States in aviation, and would help convince the Minister of the need for a bilateral agreement. Post has yet to receive any further feedback from the Ministry, although they informed post on December 30 that they might have a response early next year.

16. (U) Emboff had discussed Open Skies the previous week with Negmatjon Buriev, Presidential Economics Adviser. Buriev's only comment on the Open Skies matter was that it should be made part of the TIFA process, so that it could progress on a regional basis. Post also presented the matter to the new Director of Tajik Air, Alimurod Mahmadaliev. Mahmadaliev, who became Director of Tajik Air in November, professed not to know what an Open Skies agreement was, but said his staff would study the issue. Tajik Air later contacted Embassy and reported they had no objection to an Open Skies agreement.

Flying Without a License?

17. (SBU) Mahmadaliev was previously deputy head of the national anti-corruption agency, and is from the President's home village of Dangara. He has a degree in Agricultural Economics, and said he expected to continue as Director of Tajik Air after the privatization of the company in January. The previous Director was Hakimsho Tilloev, whose background was in tax inspection; he was previously the First Deputy Minister for State Revenues and Duties. The President's chief economic adviser, Matlubkhon Davlatov, described Tilloev's firing as a pro-economic reform move since, he said, Tilloev opposed Tajik Air's privatization.

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18. (SBU) As for Tajik Air's plans, while still Director of Tajik Air, Tilloev had told emboff that Tajik Air planned to lease its Tupolev-154s to Iran, and to operate only Boeing aircraft. Tajik air acquired a leased Boeing 757 in early November, saying it would use the plane for flights to Frankfurt starting in late-November. So far, this flight has not begun operating; it reportedly is delayed by administrative difficulties stemming from the breakup of Tajik Air, and won't start flying until sometime in the spring. Tajik Air now operates several leased Boeing 737s and 757s on flights around the region, and according to internet aviation databases also operates one of its old 737-200s for Iraqi Airways.

19. (SBU) Meanwhile the competition, in the form of Somon Air, is slowly increasing its capacity to operate. It still has a wet-leased 737, but now also operates one fully-owned 737, and expects another new 737 to arrive in February. The second purchased 737 has been delayed by management missteps; Somon acquired a new airplane with the wrong engine control software to operate in Tajikistan's conditions, and the wrong cabin layout. Installing new seats and a kitchen in the plane, along with adjusting the engine controls, will require weeks of work in Turkey, and hundreds of thousands of dollars. Somon Air bought the planes without training and maintenance packages to save money, and later sought embassy assistance to find such services.

Ostriches

110. (SBU) Comment: While Tilloev's removal may have been intended to speed aviation liberalization, the appointment of his successor does not appear to be a decisive strike against cronyism and state interference. It was encouraging, and a little surprising, to post when Tajik Air stated its support for an Open Skies agreement. But we expect that the Minister of Transport's preference for protectionism in aviation will prevail. The private competition, Somon Air, probably is controlled by the President's family, and its delays and missteps show how little capacity it has to operate an airline. End comment.